

The Components of AdTech Value Chain



**IAB Canada AdTech White Paper
Updated November 2019**

Forward

Every type of advertising media is the product of many parts. Traditional broadcast advertising consists of a complex process, including (but not limited to) scripting, casting, shooting, post-production, as well as trafficking and tracking of broadcast ads. Each one of these steps has a cost and benefit.

Digital advertising is no exception. From advertiser spend to ad-on-page, the message passes through a number of steps. Each step has a cost and value associated with it, but unlike in the traditional media world, there continues to be a debate around the number of steps involved and whether all of them are necessary. Concerningly, the focus of the current debate is centered on the cost (additional "tax") rather than the *value* of each component within the AdTech value chain.

IAB Canada's AdTech Council is pleased to update '[The Components of AdTech – An Essential Overview](#)' white paper originally completed in August 2017. The Council, and its participating members, recognized the need to update the document to ensure it reflects the current and evolving value chain. Overall, the Components of AdTech – Value Chain provides a straightforward explanation of the components that exist within the ecosystem.

The intent of this paper is to encourage the buy-side, as well as sell-side, to engage in conversations around transparency with all partners that exist within the value chain, to ensure that maximum value is being accounted for – and recognized, at every step of the process.

Updates in this white paper include:

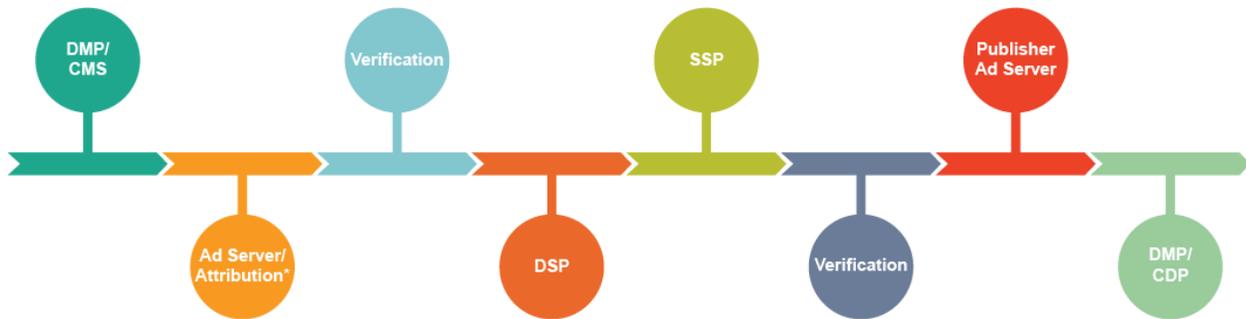
- Acknowledgment that AdTech includes managed services offered by many
- A deeper dive into the role of CDPs
- New "future forward considerations" sections
- Closer look at verification on both buy and sell side

IAB Canada AdTech Council

IAB Canada would like to thank the AdTech council members for their dedication to delivering this valuable guide to the eco-system.

A special thanks to:

Dave Pauk, Regional Sales Director, Samsung Ads
Doug St. John, Director of Digital, Hatch64
Ian Hewetson, VP Sales/General Manager, Torstar/Eyereturn
Matt Thornton, Google Marketing Platform, Canada
Perry Di Iorio, Sr. Account Director, Hatch64



AdTech & The Value Chain

With increased investment and focus, the buying and selling of digital media continues to be more efficient. And as the value chain works on simplifying the process, having a thorough understanding of each component involved becomes an integral responsibility of buyers and sellers within the space. Complexities will inevitably continue to emerge in response to new standards, measurement innovation and regulatory compliance requirements.

The process which turns an advertiser’s budget into a message that gets delivered in front of a consumer, has many different steps along the way. Each step should:

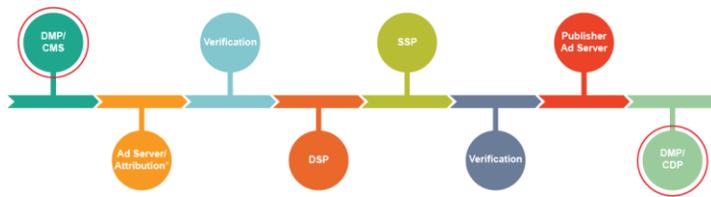
1. Add an efficiency or value greater than the cost.
2. Add a feature that is not duplicated by another step.
3. Be transparent to the advertiser against cost, function and ad placement(s) - what sites, apps, CTV ads the brand is running on.
4. Be something that the advertiser chooses to include.

The latest iteration of this paper includes important updates, while continuing to offer a straightforward overview of the different elements found within the value chain – all with the goal of demystifying the process. The buy-side and sell-side need to be speaking to one another in our data driven media buying landscape using the same language. We hope this document helps.

** Denotes Future Forward – Other Considerations*

NOTE: To reference any data terminology listed but not yet defined, please [reference IAB Canada’s – The Little Book of Data and Analytics](#).

BUY & SELL SIDE



A DMP is a Software as a Service-based product that helps marketers host and manage their own “first party” data about their known customers for use in marketing campaigns.

Data Management Platforms – DMP*

Most campaigns leverage data. Data is used to target specific audience segments based on known characteristics like past behavior, intent, interests, demographics, location, etc. A DMP is the hub for managing and connecting different data sources and creating user profiles (usually anonymously). It is where MarTech meets AdTech.

Within the AdTech value chain, a DMP can be a stand-alone software or built into a DSP/SSP. If the DMP is a standalone product, licensed by the advertiser or agency, the cost and functions of the DMP will be transparent to whoever is paying that bill.

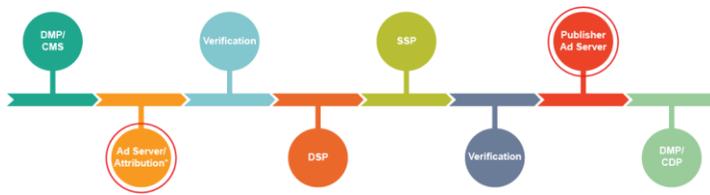
DMPs are also used on the sell-side by Publishers looking to leverage and enhance their own data offering. In this case the direct cost is covered by the Publisher, and typically passed on to the advertiser in the way of premium CPMs. Audience overlays demand a higher price than Run of Site/Network inventory.

At the same time, with the heightened interest in first party data, Customer Data Platforms (CDP's) have come into existence as a way for marketers to directly control their data. For the most part, CDP's are similar to that of CRM systems and can feed into DMP's. From a cost perspective, should a marketer choose to implement a CDP within their data stack, the cost associated in setting this up, as well as managing this service, would fall under the marketer's budget.

Future Forward – Other Considerations

*Content Management System (CMS) - some Ad Servers have built a CMS system into their systems; however, this can become an additional cost for the advertiser, either as a fixed cost or a slightly higher CPM. There are also stand-alone CMS options for advanced use cases that sit before the Ad Server in the value chain.

BUY & SELL SIDE



Ad serving technology companies provide software to Web sites and advertisers to serve ads, count them, choose the ads that will make the Web site, or advertiser, the most money and monitor progress of different advertising campaigns.

Ad Server*

Ad serving is a key part of the AdTech value chain and serves the following functions:

- Enables Advertisers and Publishers to actively track every impression on every campaign across every platform and media source.
- Supports industry standards in counting methodologies like counting impressions that actually render on a page, rather than called from a server.
- Delivers dynamic creative to each user, for example - shopping cart retargeting.
- Provides creative that pulls data from an external source to show a specific version of creative, for example – a dynamic ad that is customized based on weather.
- Provides a hub of integration between ads delivered and advertiser billing systems.
- Audits supplier reporting, potentially exposing discrepancies in everything from impression numbers to geo-targeting.
- Provides conversion attribution reporting.
- Creates operational efficiencies by centralizing and standardizing the delivery of campaigns, for example – advertisers produce, upload and encode creative once across all publishers rather than creating individual versions.

Ad serving costs on the buy and sell side are transparent and billed on a CPM basis.

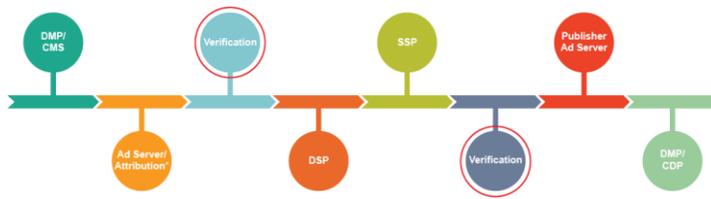
It is possible to run a non-programmatic campaign without an ad server but doing so negates the functions as outlined above.

Ad Servers exist concurrently as a 3rd party platform for advertisers, within the DSP, and on the publisher side, meaning that there may be some duplication in features that should be considered in the value equation.

Future Forward – Other Considerations

*Attribution is the process of identifying a set of user actions (“events”) across screens and touch points that contribute in some manner to a desired outcome, and then assigning value to each of these events. While there are many industry viewpoints about how best to measure and apply credit to digital advertising touch points, the following are some commonly used methodologies. Practitioners should work with their agency and ad technology partners to determine the best measurement approach for their brand/product and refine it over time. To Learn more about [Attribution](#).

BUY & SELL SIDE



Verification vendors offer a software that checks the creative assets and where they appear. These solutions check against various parameters including placements, viewability standards, in-target exposure and invalid traffic.

Verification

Verification vendors are companies specialized in the important work of unbiased measurement of viewability, brand safety and invalid traffic. They also perform domain audits.

For an advertiser, the value of using 3rd party verification is to validate and maintain the quality of their media buy.

Publishers also use their own verification tools to improve their inventory/placements and meet advertiser measurement standards.

In some cases, the same technology vendor might be used on both the buy and sell side. The cost of a verification vendor is usually transparent and billed on a CPM basis.

It is recommended to negotiate the verification reporting that will be used to resolve reporting conflicts between advertisers and publishers well in advance of campaigns going live. In some cases, 3rd party verification reports may be used to withhold payment or negotiate makegoods from other suppliers. For example, if a publisher has agreed only to bill on impressions that were viewable, it may be the third party verification vendor who decides how many impressions were viewable and therefore billable. Specific to fraud, it's essential to keep invalid traffic out of ad systems so as to maximize advertiser return and enable legitimate publishers to maximize their revenue; verification vendors can add value by identifying the bad actors to block.

It is a best practice for advertisers to proactively avoid invalid traffic by using only quality partners who are buying on transparently disclosed inventory sources that are far less likely to be a source of invalid traffic ([ads.txt](#) and [app-ads.txt](#)).

Verification by TAG (Trustworthy Accountability Group) is a good filter that isolates legitimate companies in the supply chain. Instead of analyzing traffic, TAG verifies the financial background of member companies, reassuring advertisers that they are not buying through the shell companies that defraud the ecosystem.

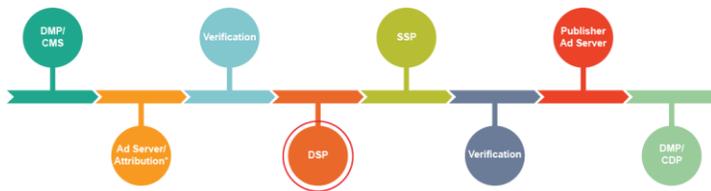
One consideration with bringing on a verification vendor is that they can add another invoice, another set of tags, and another set of numbers to reconcile. This can be complicated and if methodologies of verification vendors are not fully understood, this could lead to discrepancies in media costs that are often difficult to resolve (ie: verification vendor categorizes impressions as IVT; Publisher disagrees). Some DSPs have built in 3rd party verification vendors to help alleviate these challenges.

While each verification system will have their own set of standardized offerings, due to varying methodologies, there will always be some form of discrepancy in post campaign reporting. To avoid confusion at the reconciliation stage, a best practice for advertisers is to work with publishers and agree on which verification systems will be used, and what the allowable margin of discrepancy might be -ahead of the campaign. This will allow for both the buy and sell side to be working from a common currency.

Using a verification vendor has become standard practice for the buy-side as it acts as insurance on a media buy, but ultimately, it is the advertiser's decision to make based on a cost / complexity / benefit.

Full list of IAB Canada Members who [provide viewability](#).

BUY SIDE



Demand Side Platform (DSP) is a technology platform used by media buyers to plan, target, execute, optimize and measure online media inventory.

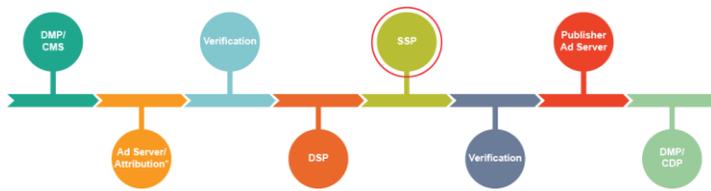
Demand Side Platform - DSP

Programmatic buying is enabled through a Demand Side Platform (DSP). A DSP is the essential technology that provides the advertiser/agency with the tools and ability to programmatically buy impressions from publishers. Through the DSP the advertiser controls the targeting and bidding parameters for their media buy.

The cost of the DSP is usually transparent to the agency or advertiser and is usually billed as a percentage of media. There are many different DSP options with varying capabilities and channel/inventory specializations. When choosing a DSP, it is in the advertiser's best interest to weigh features, costs, service, support and access to inventory, as a form of best practice.

At the same time, it is important to recognize that AdTech is not just about self-serve activations. There are also many managed services offered up by vendors who will utilize the components of AdTech, offering up a full-service end-to-end option that many advertisers can take advantage of.

SELL SIDE



The Supply Side Platform (SSP) is a software that allows publishers of digital content to help manage and sell their inventory.

Supply Side Platform - SSP

For every impression bought programmatically there is a seller of that inventory. These sellers can be:

1. Publishers that offer their inventory directly to advertisers via header tag or direct integration with the publisher side ad server.
2. SSPs (Supply Side Platforms) that connect to a publisher through the publisher-side ad server, or through header bidding, and typically take a revenue share from the publisher to deliver quality demand. SSPs collect revenue for each purchase impressions from the DSP and remit to the Publisher less their fees, usually based on a revenue share model.
3. Exchanges that combine the supply of multiple SSPs who typically take a percentage fee from the buyer.

Note that step 1 is closest to the publisher, and step 3 the furthest from the publisher, and with each step, additional costs are usually added to the equation. With the exception of Exchange fees, which are often paid directly by the advertiser, supply side fees are not always transparent to the buyer. Neither is it always possible for the buy-side to buy specific inventory through a preferred SSP, since sites may have exclusive representation through a single SSP.

While these costs are often difficult to unpack, the general rule is that the closer an advertiser is to an inventory source, the fewer costs are incurred along the way. For example, a direct link from DSP to publisher would include fewer markups than a path with several intermediaries.

As predicted in [Version 1](#) of this white paper, Header Bidding changed auction models from second to first price, improving yield, reducing latency concerns and helping to maximize publisher revenues. Header bidding is the new 'standard' and has enforced the evolution of SSPs.

Whether or not publishers utilize header bidding is entirely up to the publisher. It is also the choice of the advertiser on whether to buy inventory on that publisher.

Conclusion

Although the digital supply chain can appear complex, it is made up of a number of easily defined steps. Each step involves technology to help deliver on the original promise of digital media as a targeted, flexible, efficient, and measurable medium.

Advertisers continue to demand a greater level of transparency from the media supply chain. Having a solid understanding of the many components that go into the making of a media impression is a critical first step towards knowing what to look for.

As the industry shoulders greater responsibility in the area of data management and transparency, IAB Canada publisher, advertiser, and AdTech member companies are stepping up to the plate to develop higher standards that make it difficult for true bad actors to survive in the ecosystem.

It takes a concerted effort to ensure the highest standards are being adopted. Advertisers play an important role in this area. With greater understanding of the components of AdTech and their specific role in the delivery of ads, media buyers are put in a better position to evaluate quality media and enjoy a greater return on investment.